

Fiscal Year 2002 Corporate Plan



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U. S. Patent and Trademark Office
Fiscal Year 2002
Corporate Plan

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United States Patent and Trademark Office Fiscal Year 2002 Budget Request

Fiscal Year 2002 Highlights

- As a fully fee-funded organization, the USPTO will collect a projected \$1,346 million in fees for fiscal year 2002. These fees are paid in fiscal year 2002 by patent and trademark applicants and owners.
- For fiscal year 2002, we expect to receive 907,800 patent and trademark applications. This is a 12 percent increase for patent applications and 20 percent for trademark applications over fiscal year 2001 budget estimates. We will grant 166,500 patents and register 127,000 trademarks.¹
- USPTO is requesting \$1,139 million to operate in fiscal year 2002. This operating amount is derived from \$857 million of the \$1,346 million received in fiscal year 2002 fee collections, coupled with \$282 million of prior years' fee collections. The remaining \$489 million of fiscal year 2002 fee collections is expected to be made available to the USPTO on October 1, 2002 for fiscal year 2003 operations.
- The fiscal year 2002 request of \$1,139 million is an increase of \$100 million above the fiscal year 2001 enacted budget. This amount will allow us to cover inflation and mandatory operating costs, fund legislative requirements mandated by the American Inventors' Protection Act of 1999, fund a quality initiative in the Patent business, and fund an initiative in the Trademark business to improve productivity.
- Our fiscal year 2002 request will allow us to hire to cover attritions in the Patent and Trademark businesses, maintain our current automated systems and information technology infrastructure, and make modest investments in e-Government to continue automation of the patent and trademark application filing processes. The processing timeframes for granting patents and registering trademarks, called pendency, will increase as shown in the following table and pending application backlogs will continue to grow at this requested funding level.

¹ The USPTO is seeing the effects of the recent economic downturn, particularly on a temporary reduction in the number of incoming trademark applications. However, it is still too early to determine if this downturn will require a reestimate of trademark filings and thus projected fee collections.

Fiscal Year 2002 Processing Timeframes

	FY 2001	FY 2002	FY 2006
Patent Pendency for First Office Action (months)	14.1	17.4	28.8
Patent Pendency for Issue/Abandonment (months)	26.2	26.7	38.6
Trademark Pendency for First Office Action (months)	6.6	8.0	5.7
Trademark Pendency for Final Action (months)	19.0	20.0	16.7

It is important to note that the processing timeframes for fiscal year 2006 assume that the USPTO will have full access to its fees beginning in fiscal year 2003 in order to make critical investments in personnel and automation needed to achieve these timeframes.

- Our fiscal year 2002 request also redirects resources to fund baseline operational requirements and expenses.
- The granting of intellectual property rights by the USPTO through patents and trademarks has the potential to subsequently contribute to fueling the economy by creating wealth, jobs, and tax revenue. This assertion is supported by Alan Greenspan, Federal Reserve Chairman, who has noted compelling evidence that the technological innovation has driven the upsurge in U.S. productivity (which is continuing despite the recent economic slowdown) and the resulting real growth of the economy over the past 10 years.

Fiscal Year 2002 Challenges

USPTO is a dynamic organization that is at the forefront of the high-tech driven national economy and a leader in 21st century management principles. However, we are facing the following challenges in fiscal year 2002:

- In fiscal year 2002, we project receiving 367,800 utility, plant and reissue (UPR) patent applications and 540,000 trademark application classes. Over the past decade, our patent and trademark workloads increased at significant rates. Over the first few months of fiscal year 2001, however, the economic slowdown has depressed the number of trademark filings received thus far, reducing anticipated fee income for this year. It is still too early in the fiscal year to determine if this downturn is a temporary aberration or will impact longer-term trademark projections affecting fiscal year 2002 and beyond. In contrast, patent applications continue to grow at a 12 percent rate over the previous year. The fiscal year 2002 workload estimates take into consideration current and projected economic indicators. (Information about underlying economic assumptions of our fiscal year 2002 patent and trademark applications workloads is included in Appendix E.)

- Because of double-digit growth in both patent and trademark application filings have exceeded budgeted resource levels, inventories of unprocessed work have rapidly increased. This creates a potential unfunded (and unprocessed) liability as a result of lack of full fee access as these applications must be processed without benefit of the corresponding incoming fee amounts. This may result in an unfunded liability that the taxpayers may ultimately be asked to assume.
- The solutions for managing a large inventory of pending applications cannot solely rely on the hiring of additional personnel. We must also make critical investments in information technology systems and redesigned processes if we are to manage future workloads. USPTO's Strategic Information Technology Plan includes information technology systems investment information and milestones that enable the USPTO to maintain current business production processing, meet the requirements of the American Inventors Protection Act (AIPA), and enhance the current business to promote electronic government.
- USPTO's fee collections have grown rapidly, due to greatly increased patent and trademark filings. The increase in fee collections mirrors the growth in importance of intellectual property. In recent years, USPTO's program level has been below its annual offsetting fee collections, making a portion of USPTO's fees unavailable to the agency. These unused fees have generally been carried over and spent in the following fiscal year. The President's Fiscal Year 2002 Budget proposes \$489 million in carryover balances of unreleased fees into fiscal year 2003. The following chart identifies the fee amounts that have not been appropriated for USPTO use from fiscal years 2000 to 2002:

USPTO Fee Collections - Available and Unavailable

	FY 2000 Actual	FY 2001 Enacted	FY 2002 Request
USPTO Fee Collections	\$1,006	\$1,152	\$1,346
Carryover From Prior Year	<u>\$116</u>	<u>\$255</u>	<u>\$282</u>
Subtotal: Available Resources	\$1,122	\$1,407	\$1,628
Unavailable	-\$234	-\$368	-\$489
Rescissions / Other	-\$3	\$0	\$0
Subtotal: Unavailable Resources	-\$237	-\$368	-\$489
Total Available Resources	\$885	\$1,039	\$1,139
Total Negative Budget Authority	-\$121	-\$113	-\$207

Fiscal Year 2002 Performance

Following are key workload estimates, performance indicators, and/or results for the Patent and Trademarks Businesses that will be achieved at the requested funding level. (See Appendices A-D on the Patent and Trademark Businesses, Intellectual Property Leadership and Corporate Support for additional fiscal year 2002 performance measures.) It is important to note that the performance measures identified for fiscal year 2003 to fiscal year 2006 assumes that the USPTO will receive full access to its fees in order to hire staff in critical areas and make performance-enhancing investments in automation to achieve these performance levels.

Workload/Performance Indicator	FY 2000 Actual	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Patents							
Utility, Plant and Reissue (UPR) Patent Applications Filed	293,244	328,400 ²	367,800	404,600	445,100	489,600	538,600
EOY Pending Applications Awaiting Examiner Action	256,520	367,900	511,500	670,500	848,260	1,060,700	1,293,600
UPR Disposals	234,344	226,700	223,500	225,700	248,500	269,400	279,700
Patents Granted	165,504	166,100	166,500	157,600	165,600	181,000	192,400
Pendency – First Action (months)	13.6	14.1	17.4	19.9	22.9	26.0	28.8
Patents – Issue/Abandonment (months)	25.0	26.2	26.7	30.0	32.5	35.5	38.6
Percent of applications received electronically	N/A	2	2	10	30	50	75
Percent of allowed applications with a material or significant defect	6.6	5.5	5.5	5.5	5.0	4.0	3.0
Percent of allowed applications where a significant question relating to quality of the examination process was raised	7.7	7.0	7.0	7.0	6.0	5.5	5.0
Percent of customers satisfied overall	64	67	64	67	70	75	80
Trademarks							
Applications Received – classes	375,428	450,000	540,000	621,000	714,000	821,000	944,000
EOY Pending Applications Awaiting Examiner Action	166,300	167,200	177,300	189,800	212,100	244,000	285,700

² Does not include 6,600 patent applications refiled as a result of the enactment of the American Inventors' Protection Act of 1999.

Workload/Performance Indicator	FY 2000 Actual	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Percent of applications received electronically	14.9	30	30	35	35	40	40
Statements of Use Filed	36,119	52,000	48,800	59,400	70,800	86,500	102,200
Registration Issued – certificates	106,383	106,000	106,000	110,000	159,000	204,100	245,300
Registration Issued – classes	127,794	127,000	127,000	130,000	201,000	252,000	314,000
First Action Pendency – months	5.7	6.6	8.0	7.6	6.3	6.0	5.7
Registration/Disposal Pendency – months	17.3	19.0	20.0	19.6	18.3	17.5	16.7
Percent error rate for errors that could affect the registrability of a mark	3.4	3.0	3.5	3.4	3.3	3.1	3.0
Percent of customers satisfied overall	65	60	60	65	65	70	70

Fiscal Year 2002 Budget Request

The USPTO budget request for fiscal year 2002 supports the workload and performance indicators identified above. As a performance-driven organization, the USPTO has two business lines—Patents and Trademarks. Likewise, we have two sources of revenue—patent fees and trademark fees. By using Activity-Based Costing, we are able to distribute all costs (expenses) to these two business lines. These costs include direct operating costs, as well as other USPTO operations, which directly or indirectly support the Patent and Trademark businesses.

This corporate plan meets the requirements of an Annual Performance Plan under the Government Performance and Results Act. The USPTO strategic framework is included as Appendix F.

The following tables present the USPTO's budget in five ways: (1) By major components; (2) By the three budget lines (i.e., Patents, Trademarks and Intellectual Property Leadership); (3) By the funding source (i.e., Patent or Trademark fees); (4) By the four major functions (i.e. Patents, Trademarks, Intellectual Property Leadership, Corporate Support – Information Technology, and Corporate Support – Resource Management); and (5) By the key business objectives.

Table 1
Fiscal Year 2002 Request By Major Component
(\$ in Thousands)

Item	FY 2001 Estimated Actual	FY 2002 Request	FY 2002 Planned Internal Adjustments	FY 2002 Planned Operating Level
Mandatory Requirements				
Compensation and Benefits	569,793	597,806	-6,336	591,470
Rent, Communications	76,218	77,538	0	77,538
Printing/Publication	55,683	56,432	0	56,432
Information Technology Contracts			0	
Systems Maintenance/Operations	123,218	150,214	-9,711	140,503
E-Commerce Development		0	+17,810	17,810
Operational Contracts (e.g., guard service, mail room, etc)	117,474	91,315	+16,900	108,215
Goods/Services from Other Government Agencies	1,045	1,075	+2,687	3,762
Space Consolidation Initiative	30,000	30,271	-14,271	16,000
Equipment	57,190	58,220	-10,247	47,973
Training	7,846	8,028	+584	8,612
Supplies and Materials	6,511	6,628	0	6,628
Other (e.g., advisory services, travel and transportation, insurance claims, etc)	<u>4,993</u>	<u>5,025</u>	<u>+2,584</u>	<u>7,609</u>
Subtotal	1,049,971	1,082,552	0	\$1,082,552
New Initiatives				
Quality Initiative - Special Pay for Patent Examiners	0	32,534	0	32,534
AI PA Legislative Mandates	0	17,715	0	17,715
Trademark Production Incentive Award	<u>0</u>	<u>6,200</u>	<u>0</u>	<u>6,200</u>
Subtotal	<u>0</u>	<u>56,449</u>	<u>0</u>	<u>\$56,449</u>
Total	\$1,049,971	\$1,139,001	\$0	\$1,139,001

Table 2
Patent, Trademark and Intellectual Property Leadership Obligation Distribution
(\$ in Thousands)

Funding Source	FY 2000 Actual		FY 2001 Estimated Actual		FY 2002 Base		Increase from FY 2002 Base		FY 2002 Full Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Patent	5,136	738,775	6,144	882,693	5,629	909,916	0	50,249	5,629	960,165
Trademark	871	133,394	1,129	132,530	942	135,378	0	6,200	942	141,578
IP Leadership	121	23,075	176	34,748	178	37,258	0	0	178	37,258
Total	6,128	895,244	7,449	1,049,971	6,749	1,082,552	0	56,449	6,749	1,139,001

Table 3
Patent and Trademark Fee Obligation Distribution
(\$ in Thousands)

Funding Source	FY 2000 Actual		FY 2001 Estimated Actual		FY 2002 Base		Increase from FY 2002 Base		FY 2002 Full Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Patent Fee-Funded	5,240	758,619	6,295	912,576	5,782	941,958	0	50,249	5,782	992,207
Trademark Fee-Funded	888	136,625	1,154	137,395	967	140,594	0	6,200	967	146,794
Total	6,128	895,244	7,449	1,049,971	6,749	1,082,552	0	56,449	6,749	1,139,001

Table 4
Fiscal Year 2002 Request By Major Function
(\$ in Thousands)

Business Area	FY 2001 Enacted		FY 2002 Request		Change	
	FTE	Dollars	FTE	Dollars	FTE³	Dollars
Patents	5,480	568,578	4,964	649,259	-516	80,681
Trademarks	982	70,180	795	80,280	-187	10,100
Intellectual Property Leadership	154	24,657	156	26,014	2	1,357
Corporate Support - Information Technology	547	197,631	547	202,735	0	5,104
Corporate Support - Resource Management	286	177,686	287	180,713	1	3,027
Total	7,449	1,038,732	6,749	1,139,001	-700	100,269

³ The USPTO is adjusting its Full-Time Equivalent's (FTE's) and Full-Time Positions (FTP's) in an effort to realign FTE to FTP in fiscal years 2001, 2002, and 2003 to actual needs. The adjustments are for unfilled positions that the USPTO does not now plan to hire and for which no funds have been directed to cover personnel compensation and benefits. It does not impact on any personnel currently employed in the USPTO. This adjustment represents our FTE's more accurately in relation to our planned and actual FTP's.

Table 5
Fiscal Year 2002 Proposed Incremental Increases
By Key Business Objective
(\$ in Thousands)

Key Business Objective	Fiscal Year 2002 Request	
	FTE	Dollars
Enhance the Quality of Products and Services <ul style="list-style-type: none"> • Special Pay for Patent Examiners - \$32,534 • AIPA Implementation - \$17,715 	0	50,249
Transition to Electronic Government	0	0
Optimize/Minimize Processing Time <ul style="list-style-type: none"> • Trademark Production Incentive Award - \$6,200 	0	6,200
Intellectual Property Leadership	0	0
Corporate Support	0	0
Total	0	56,449